



ARIZONA STATE SENATE
Fifty-Fifth Legislature, First Regular Session

FACT SHEET FOR S.B. 1752

community facilities districts.

Purpose

An emergency measure that prescribes the use of the amount of net premium associated with a general obligation bond issue and prohibits the annual property tax levy in a community facilities district (CFD) from exceeding specified amounts. Outlines composition of the board of a CFD.

Background

A declaration of intention to form a CFD requires the owners of at least 25 percent of the proposed land area to sign a petition and allows the governing body to adopt a resolution declaring its intent to form a CFD. The resolution must include outlined information, including: 1) the area to be included; 2) the purpose of the CFD; 3) a general plan that is to be filed with the clerk; 4) that the formation of the CFD may result in a levy of taxes to pay the costs of CFD-made improvements; and 5) whether the CFD will be governed by a CFD board that consists of the members of the governing body, ex officio, with two additional members who are initially designated by the owner of the largest amount of privately owned acreage in the proposed CFD and who are appointed by the governing body (two additional owner members), or, at the option of the governing body, five directors appointed by the governing body ([A.R.S. § 48-702](#)).

Fees and other charges assessed by a municipality or county for the submission and consideration of an application to form a CFD may not exceed \$15,000. Any fees or other charges paid by the applicant before formation of the CFD that exceed the actual costs of forming the CFD must be used by the municipality or county to support the formation or administration of the CFD, including the issuance and sale of bonds ([A.R.S. § 48-708](#)).

A CFD board may issue and sell general obligation bonds of the CFD if approved at a general obligation bond election. After bonds are issued, the CFD board must annually levy and collect a property tax to pay debt service on the bonds when due. Monies derived from the levy of the tax are used to pay the bond debt service and must be kept separately from other funds of the CFD. Amounts levied for debt service on bonds payable from the secondary tax must be considered special revenues of the CFD and be kept in a separate fund ([A.R.S. § 48-719](#)). A CFD board must prescribe the denominations of bonds, the size of each issue and the form of any bonds and must establish the maturities, interest payment dates and interest rates, whether fixed or variable, not exceeding the maximum rate stated in the notice of the general obligation bond election or the resolution of the CFD board. The bonds may be sold by competitive bid or negotiated sale for public or private offering at, below or above par ([A.R.S. § 48-722](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

General Obligation Bonds and Property Tax Levy

1. Prohibits the annual property tax levy on all taxable property in the CFD from exceeding:
 - a) the net amount necessary to meet annual payments of principal and interest;
 - b) the projected payments of principal and interest on new debt planned for the ensuing year;
 - c) a reasonable delinquency factor, including an amount necessary to correct prior year errors or shortages in the levy, if applicable; and
 - d) any expenses and fees required to comply with federal income tax laws.
2. Requires the annual property tax levy to be the net of all cash in excess of 10 percent of the annual payments of principal and interest in the current fiscal year from the previous year remaining in a separately accounted for bond debt service fund.
3. Allows, if general obligation bonds of the CFD are sold above par, the amount of net premium associated with the general obligation bond issue to be used:
 - a) to pay any or all costs incurred in issuing the general obligation bonds; and
 - b) as a deposit in a debt service fund and used only to pay interest on the issue of general obligation bonds.
4. Requires, if the amount of net premium is used for another purpose and if the CFD has general obligation bond voter authorization and available debt limit capacity, the amount of net premium to reduce both the available aggregate indebtedness capacity of the CFD and the principal amount authorized at the CFD's general obligation bond election by an equal amount.
5. Requires any net premium used for another purpose to be annually amortized on a pro rata basis for all debt limitation purposes by multiplying the net premium used by a percentage equal to that of the total principal amount of the general obligation bond issue that matures in that year.
6. Directs a municipality or county to transfer, rather than use, any fees or charges paid by an applicant before formation of the CFD that exceed actual costs of forming the CFD and requires the monies to be used by the CFD to support the formation or administration of the CFD.

CFD Board Composition

7. Requires an application for formation of a CFD to include whether two additional owner members are to be appointed to a CFD board.
8. Allows the resolution adopted by a governing body to state that the two additional owner members must permanently be advisory nonvoting members if a petition signed by the owners of a majority of the privately owned real property within the CFD's boundaries is presented before formation of a CFD.

9. Allows a CFD formed after August 9, 2017, that is governed by a CFD board consisting of the governing body of the municipality or county, ex officio, with two additional owner members, to adopt a resolution to reconcile the CFD board composition by permanently removing the two additional owner members and their positions at any time after receipt of a petition signed by the owners of a majority of the privately owned real property within the CFD's boundaries.
10. Requires a CFD formed after August 9, 2017, that is governed by a CFD board consisting of the governing body of the municipality or county, ex officio, with two additional owner members, on removal of the two additional owner members and their positions, to be governed by a CFD board that consists of the governing body of the municipality or county, ex officio.
11. Allows a CFD formed after August 9, 2017, that is governed by a CFD board consisting of the governing body of the municipality or county, ex officio, with two additional owner members, at any time after receipt of a petition signed by the owners of a majority of the privately owned real property within the CFD's boundaries, to adopt a resolution that provides that the two additional owner member positions must permanently be advisory nonvoting positions, following adoption of the resolution.
12. Allows a resolution that orders formation of a CFD and that is adopted by the governing body of a municipality or a county to state that the two additional appointed CFD board member positions must permanently be advisory nonvoting members if the petition signed by the owners of a majority of the privately owned real property within the CFD's boundaries is presented to the governing body of a municipality or county before formation of a CFD.
13. Specifies that conversion or reconciliation of a CFD board's membership does not affect the validity of the formation of the CFD or a CFD board's actions before the conversion or reconciliation.
14. Specifies that conversion of the two additional owner member positions to nonvoting positions does not preclude any subsequent CFD board reconciliation.
15. Requires a resolution ordering the formation of a CFD to contain the names and terms of office of the initial appointed CFD board members, rather than only the five initial directors appointed by the governing body.

Miscellaneous

16. Defines *net premium* as the difference between the par amount of the general obligation bond issue and the general obligation bond issue price determined by the U.S. Department of the Treasury regulations.
17. Makes technical and conforming changes.
18. Becomes effective on signature of the Governor, if the emergency clause is enacted.